Bill Analysis

Author: Committee on Budget  Sponsor:  Bill Number: AB 80
Analyst: Margo Cave  Phone: (916) 845-7475  Amended: June 22, 2020
Attorney: Shane Hofeling  Related Bills: See Legislative History

SUBJECT

Budget Trailer Bill—Public Health Omnibus

SUMMARY

This bill would do the following:

Sections 3 and 36: Under the Health and Safety Code (HSC) and the Insurance Code (IC), the actuarial value of the bronze level of coverage established under the federal Patient Protection and Affordable Care Act (PPACA), for non-grandfathered individuals and small groups is changed from “plus 4 percent to minus 2 percent” to “plus 5 percent to minus 2 percent.”

Sections 8 and 37: Under the HSC and the Revenue and Taxation Code (R&TC), the State Department of Health Services would be required to verify the modified adjusted gross income reported for purposes of determining eligibility for acquired immunodeficiency syndrome (AIDS) drug assistance programs and would authorize the Franchise Tax Board (FTB) to provide to the State Department of Public Health, income data, as specified, for the taxpayers household for these purposes.

This is the department’s first analysis of the bill and only addresses the provisions that impact the department.

RECOMMENDATION

No position

REASON FOR THE BILL

The reason for the bill is to revise the actuarial value of the bronze level plan under the PPACA and to modify information required to be annually reported by the FTB to the State Department of Public Health.
ANALYSIS

Sections 3 and 36 of the bill revise the actuarial value of the bronze level of coverage range established under the federal PPACA. The range was changed from “plus 4 percent to minus 2 percent” to “plus 5 percent to minus 2 percent.”

These provisions amend the HSC and the IC to revise the actuarial value of the nongrandfathered bronze level health plan to range from plus 5 percent to minus 2 percent for health plans that either covers and pays for at least one major service, other than preventive services, before the deductible or meets the requirements to be a high deductible health plan.

Effective/Operative Date

This bill, providing for appropriations related to the Budget Bill and identified as a bill related to the budget in the Budget Bill, would be effective and operative immediately upon enactment.

Federal/State Law

Federal Law

Existing federal law, the PPACA, enacts various health care coverage market reforms as of January 1, 2014. PPACA generally requires an individual, and any dependents of the individual, to maintain minimum essential coverage (MEC), as defined, and, if an individual fails to maintain minimum essential coverage, the PPACA imposes a penalty on the individual taxpayer. This provision is referred to as the individual mandate. The federal Tax Cuts and Jobs Act set the payment associated with the individual shared responsibility requirement of the PPACA to zero beginning in 2019.

State Law

Individual Shared Responsibility Penalty

In 2019, SB 78 added Part 32 (commencing with Section 61000) to Division 2 of the R&TC, which imposes the Individual Shared Responsibility Penalty (Penalty) on applicable individuals who fail to MEC as required by Title 24 (commencing with Section 100700) of the Government Code, unless they qualify for an exemption.

The penalty will be imposed on a responsible individual for failure by the responsible individual, applicable spouse, or applicable dependent to enroll in and maintain MEC. The penalty imposed will be included with a responsible individual’s income tax return.
The penalty is equal to the lesser of either of the following amounts, and is computed as follows:

1. The sum of the monthly penalty amounts for months in the taxable year during which one or more failures to maintain MEC have occurred.

2. An amount equal to one-twelfth of the state average premium for qualified health plans that have a bronze level of coverage for the applicable household size involved, and are offered through the Exchange for plan years beginning in the calendar year with or within which the taxable year ends, multiplied by the number of months in which a failure to maintain MEC has occurred.

The maximum monthly penalty for a responsible individual with an applicable household size of five or more individuals equals the maximum monthly penalty for a responsible individual with an applicable household size of five individuals.

Implementation Considerations
None noted.

Technical Considerations
None noted.

Policy Concerns
None noted.

LEGISLATIVE HISTORY

SB 78 (Committee on Budget and Fiscal Review, Statutes of 2019, Chapter 38) established the Individual Shared Responsibility Penalty applicable to California residents who fail to obtain and maintain MEC for each month beginning January 1, 2020.

AB 85 (Committee on Budget, Statutes of 2020, Chapter 8), limits the maximum monthly Individual Shared Responsibility Penalty for a responsible individual with an applicable household size of five or more individuals to the maximum monthly penalty for a responsible individual with an applicable household size of five individuals.
PROGRAM BACKGROUND

Federal Individual Shared Responsibility Provision. The PPACA's individual mandate requires that individuals maintain MEC or make a shared responsibility payment for noncompliance. Exemptions from the individual mandate are granted for a variety of reasons related to income, affordability of coverage, and federally defined hardship. The payment for not maintaining MEC is either a flat dollar amount or a percentage of household income above the annual tax-filing threshold, whichever is greater. In late 2017, the federal Tax Cuts and Jobs Act set the payment associated with the individual shared responsibility requirement of the PPACA to zero beginning in 2019.

FISCAL IMPACT

This provision would not significantly impact the department’s costs.

ECONOMIC IMPACT

Revenue Estimate

This bill as amended June 22, 2020, does not change the way income tax or franchise tax is computed under the R&TC.

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill or for the net final payment method of accrual.

LEGAL IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

None received.

ARGUMENTS

None noted.
**LEGISLATIVE STAFF CONTACT**

Margo Cave  
Legislative Analyst, FTB  
(916) 845-7475  
margo.cave@ftb.ca.gov

Tiffany Christiansen  
Revenue Manager, FTB  
(916) 845-5346  
tiffany.christiansen@ftb.ca.gov

Annette Kunze  
Legislative Director, FTB  
(916) 845-6333  
annette.kunze@ftb.ca.gov